Roman Catholic Archdiocese of San Antonio Pastoral Center

Financial Report
June 30, 2021

Contents

Independent Auditor's Report

Most Reverend Gustavo Garcia-Siller, MSpS
Archbishop of San Antonio
Roman Catholic Archdiocese of San Antonio Pastoral Center

Report on the Financial Statements
We have audited the accompanying financial statements of the Roman Catholic Archdiocese of San Antonio Pastoral Center (the Pastoral Center), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pastoral Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pastoral Center as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

San Antonio, Texas
July 11, 2022

Roman Catholic Archdiocese of San Antonio Pastoral Center

Statements of Financial Position
June 30, 2021 and 2020

		2021		2020
Assets				
Cash and cash equivalents	**$**	**25,895,207**	$	20,823,962
Pledges receivable, net		**798,713**		1,088,476
Accounts receivable, net		**2,411,951**		510,906
Insurance programs from insurance company		**1,406,017**		801,701
Grants receivable		**-**		122,155
Prepaid expenses and other assets		**248,563**		158,807
Funds held by insurance company		**134,196**		113,634
Investments		**15,932,452**		13,735,528
Cash value of life annuities		**1,283,804**		1,259,452
Notes receivable from related entities, net		**543,280**		861,717
Buildings and equipment, net		**6,524,432**		5,818,744
Properties held for lease, net		**2,201,173**		2,241,762
Land held for future use		**1,308,349**		1,440,018
Plant and property held for sale		**-**		890,000
Total assets	**$**	**58,688,137**	$	49,866,862
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	**$**	**5,368,237**	$	2,295,662
Deposits payable		**218,024**		329,886
Capitalized lease obligations		**222,454**		287,977
Self-insurance reserves		**7,636,326**		5,388,937
Postretirement benefits obligation		**11,433,183**		11,198,052
Note payable to bank		**1,153,100**		1,153,100
Deferred revenue		**324,346**		486,615
Due to others		**1,304,074**		1,278,707
Total liabilities		**27,659,744**		22,418,936
Net assets:				
Without donor restrictions:				
Undesignated		**8,372,754**		6,706,179
Designated:				
Plant and operations fund		**21,412,440**		19,685,083
Deposit and loan fund		**571,885**		563,922
		30,357,079		26,955,184
With donor restrictions:				
Restricted by time or purpose		**381,866**		203,294
Restricted for scholarships		**289,448**		289,448
		671,314		492,742
Total net assets		**31,028,393**		27,447,926
Total liabilities and net assets	**$**	**58,688,137**	$	49,866,862

See notes to financial statements.

Roman Catholic Archdiocese of San Antonio Pastoral Center

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Archdiocesan assessments	$ 10,713,732	$ -	$ 10,713,732
Contributions and support	6,960,893	246,530	7,207,423
Insurance premiums, net of rebates	20,865,935	-	20,865,935
Archbishop's Appeal, net of rebates	4,475,560	-	4,475,560
Grant income	558,780	180,000	738,780
Auxiliary activities	584,191	-	584,191
Advertising revenue and sales	234,126	-	234,126
Program fees	52,725	-	52,725
Fees from operations	368,808	-	368,808
Investment return, net	2,531,701	101,837	2,633,538
Educational	181,630	-	181,630
Deposit and loan fund—interest income	16,069	-	16,069
Gain on sale of assets	511,107	-	511,107
Other revenues	861,409	-	861,409
Net assets released from donor restrictions	349,795	(349,795)	-
Total revenue, gains and other support	49,266,461	178,572	49,445,033
Expenses:			
Program services:			
Education and Formation	4,112,208	-	4,112,208
Ministry	9,884,092	-	9,884,092
Supporting services:			
General, administrative and auxiliary services	7,528,963	-	7,528,963
Insurance programs	24,320,393	-	24,320,393
Total expenses	45,845,656	-	45,845,656
Increase in net assets before postretirement-related change other than net periodic pension costs	3,420,805	178,572	3,599,377
Postretirement-related change other than net periodic pension costs	(18,910)	-	(18,910)
Changes in net assets	3,401,895	178,572	3,580,467
Net assets at beginning of year	26,955,184	492,742	27,447,926
Net assets at end of year	$ 30,357,079	$ 671,314	$ 31,028,393

See notes to financial statements.

Roman Catholic Archdiocese of San Antonio Pastoral Center

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Archdiocesan assessments	$ 10,709,364	$ -	$ 10,709,364
Contributions and support	5,143,730	179,510	5,323,240
Insurance premiums, net of rebates	19,794,051	-	19,794,051
Archbishop’s Appeal, net of rebates	4,114,264	-	4,114,264
Grant income	1,060,338	92,500	1,152,838
Auxiliary activities	1,001,592	-	1,001,592
Advertising revenue and sales	214,910	-	214,910
Program fees	139,049	-	139,049
Fees from operations	911,116	-	911,116
Investment return, net	520,483	9,181	529,664
Educational	272,190	-	272,190
Deposit and loan fund—interest income	20,641	-	20,641
Gain on sale of assets	235	-	235
Other revenues	70,560	-	70,560
Net assets released from donor restrictions	297,612	(297,612)	-
Total revenue, gains and other support	44,270,135	(16,421)	44,253,714
Expenses:			
Program services:			
Education and Formation	6,222,589	-	6,222,589
Ministry	10,079,413	-	10,079,413
Supporting services:			
General, administrative and auxiliary services	16,165,277	-	16,165,277
Insurance programs	19,814,147	-	19,814,147
Total expenses	52,281,426	-	52,281,426
Decrease in net assets before postretirement-related change other than net periodic pension costs	(8,011,291)	(16,421)	(8,027,712)
Postretirement-related change other than net periodic pension costs	(321,655)	-	(321,655)
Changes in net assets	(8,332,946)	(16,421)	(8,349,367)
Net assets at beginning of year	35,288,130	509,163	35,797,293
Net assets at end of year	$ 26,955,184	$ 492,742	$ 27,447,926

See notes to financial statements.

Roman Catholic Archdiocese of San Antonio Pastoral Center

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	**$ 3,580,467**	$ (8,349,367)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense—building and equipment	**603,181**	527,726
Depreciation expense—property held for lease	**40,589**	40,588
Provision for allowance for doubtful accounts—accounts receivable	**322,938**	429,080
Provision for allowance for doubtful accounts—notes receivable	**(13,728)**	177,812
Provision for allowance for doubtful accounts—pledges receivable	**(57,652)**	132,938
Unrealized and realized gain on investments, net	**(2,408,434)**	(292,366)
Amortization of deferred rent income	**(40,091)**	(60,000)
Donated land and improvements to parish	**-**	8,820,875
Gain on sale of land held for future use	**(394,496)**	-
Loss on sale of plant and property held for sale	**143,089**	-
Gain on sale of assets	**(116,611)**	(632)
Postretirement-related change other than net periodic pension costs	**18,910**	321,655
Changes in operating assets and liabilities:		
Pledges receivable	**347,415**	(36,367)
Accounts receivable	**(2,223,983)**	158,765
Grants receivable	**122,155**	39,473
Prepaid expenses and other assets	**(89,756)**	1,148
Funds held by insurance company	**(20,562)**	(307)
Insurance programs from insurance company	**(604,316)**	490,992
Cash value of life annuities	**(24,352)**	(26,206)
Accounts payable and accrued expenses	**3,072,575**	82,921
Self-insurance reserve	**2,247,389**	992,312
Postretirement benefits obligation	**216,221**	614,904
Deferred revenue	**(122,178)**	35,496
Due to others	**25,367**	20,572
Net cash provided by operating activities	**4,624,137**	4,122,012
Cash flows from investing activities:		
Purchases of investments	**(2,675,232)**	(3,315,616)
Proceeds from sale of investments	**2,886,742**	5,326,785
Proceeds from plant and property held for sale	**746,911**	-
Proceeds from sale of land held for future use	**526,165**	-
Proceeds from sale of fixed assets	**162,609**	235
Purchase of land, buildings and equipment	**(1,354,867)**	(1,816,707)
Net cash provided by investing activities	**292,328**	194,697

(Continued)

Roman Catholic Archdiocese of San Antonio Pastoral Center

Statements of Cash Flows (Continued)
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from financing activities:		
Issuance of notes receivable	$ (2,710)	$ (870,195)
Collections of notes receivable	334,875	880,306
Issuance of note payable to bank	-	1,153,100
(Decrease) increase in deposits payable—deposit and loan fund	(111,862)	659
Payments on capitalized lease obligations	(65,523)	(68,009)
Net cash provided by financing activities	154,780	1,095,861
Net increase in cash and cash equivalents	5,071,245	5,412,570
Cash and cash equivalents at beginning of year	20,823,962	15,411,392
Cash and cash equivalents at end of year	$ 25,895,207	$ 20,823,962
Supplemental disclosures of cash flow information:		
Donated land and improvements to Parish	$ -	$ 8,820,875

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Organization: The Roman Catholic Archdiocese of San Antonio Pastoral Center (the Pastoral Center) is the administrative entity of the Roman Catholic Archdiocese of San Antonio (the Archdiocese). The Pastoral Center provides planning and direction in the administration of pastoral, vocational, educational and other services to its parishes and Archdiocesan institutions. The Pastoral Center also provides insurance, financing, investing and other advisory services to certain organizations of the Archdiocese.

The accompanying financial statements include all accounts maintained by and directly under the administration and operational direction of the Pastoral Center. The Pastoral Center's fund accounting balances include the following activities as the plant and operations fund:

- General operations of the Pastoral Center
- Insurance programs
- Archbishop's Appeal activities
- Catholic Schools
- Hope for the Future tuition assistance program
- Custodian fund activities
- Catholic Television
- Old Spanish Missions, Inc.
- Land, buildings and equipment of the Pastoral Center, net of accumulated depreciation

The Pastoral Center's accompanying financial statements do not include the accounts of other organizations of the Archdiocese, such as parishes, foundations, schools, cemeteries, seminaries or any other institutions owned and operated by religious orders of men or women, except insofar as financial transactions have taken place between such organizations and the Pastoral Center. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the Pastoral Center, maintains separate accounts and operating controls, carries on its mission through its services and programs and is expected to report annually to its respective constituency.

The Pastoral Center maintains the accounts and provides the administration and operating direction for the following programs.

Program services:

Education and formation: The Clergy and Consecrated Life program assists with the pastoral care of all Archdiocesan priests by encouraging and helping them in their personal and spiritual growth, pursue theological updates and also seek ongoing development of their pastoral and ministerial skills. The diaconate program facilitates the formation of deacon candidates and provides support and continuing education for all Archdiocesan deacons. The Clergy and Consecrated Life program works to foster the pastoral care of the religious men and women residing in the Archdiocese. The vocation program provides resources and discernment opportunities that promote and cultivate vocations to ordained and consecrated life.

The Catholic Schools program provides services and direction to pastors, principals, teachers and other school leaders so the vision of Catholic education in the Archdiocese can be realized.

Note 1. Summary of Significant Accounting Policies (Continued)

The Hope for the Future tuition assistance program helps to make the proven benefits of a Catholic school education available to financially disadvantaged children. This program also serves the administrators, staff, teachers and families in Catholic schools by funding projects that build up their campuses, including grants for infrastructure, special programs and curriculum and technology enhancements.

Ministry: The Pastoral Ministries program provides support to the Archdiocesan offices of ministry, which includes resources, educational opportunities and faith formation events to assist people of all ages from various walks of life to promote gospel values in the local parish, the local church and the world.

The Communication Services program brings the message of Jesus in an understandable way to Catholics and non-Catholics alike. It distributes information on Archdiocesan events and developments in the church to the media and provides messages from the Archbishop to the members of the church, as well as the public.

The annual Archbishop’s Appeal provides supplemental financial assistance to institutions, programs and ministries affiliated with the Catholic Church throughout the Archdiocese. The Archbishop’s Appeal provides funding for social services and also provides support for Archdiocesan agencies that assist the many needs of the parishes, Catholic schools and future church leaders.

Old Spanish Missions, Inc. (OSM, Inc.) is a not-for-profit corporation operated by the Pastoral Center. OSM, Inc. was established to maintain and restore the four missions located in San Antonio, Texas.

Supporting services:

General, administrative and auxiliary services: General, administrative and auxiliary services are essential and legitimate costs of providing services to the Archdiocesan agencies. These costs include expenses such as salaries and benefits, information technology, office supplies and postage, utilities and repairs and maintenance, among others.

The deposit and loan fund was established to fund a depository at the Pastoral Center whereby funds can be deposited by parishes or related entities and loans can be obtained by parishes for construction or special needs. A reduced rate of interest is applied, to ensure the basic Christian concept of communities helping communities might be achieved in the realm of financial sharing.

Insurance programs: Insurance programs is a fund established for the accounting of the insurance benefits established by the Archdiocese in which all Archdiocesan agencies participate. The insurance benefits include health, workers’ compensation, property and liability insurances.

Basis of presentation: The financial statements of the Pastoral Center are prepared on the accrual basis of accounting with standards applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Under these provisions, net assets and revenue, expenses, gains and losses are classified as with and without donor restrictions based upon the following criteria.

Without donor restrictions: Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restriction. Net assets without donor restrictions may be designated for a specific purpose by action of the Board of Directors (the Board).

Note 1. Summary of Significant Accounting Policies (Continued)

With donor restrictions: Net assets with donor restrictions are based on time or purpose and consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performances of a future event or a specific passage of time before the Pastoral Center may spend the funds. Net assets held in perpetuity, including endowments received by the Pastoral Center, are usually subject to irrevocable explicit donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund annual operations.

Some of the funds generated by the Pastoral Center are designated by various boards that serve the Archdiocese for endowment funds for long-term investment purposes, and the interest income earned is distributed at the discretion of the boards to individual agencies and schools. The Pastoral Center has created the Archdiocese of San Antonio Endowment Fund, Inc.; the Archdiocesan Catholic Schools Endowment Fund, Inc.; the Archdiocesan Designated Catholic Schools Endowment Fund, Inc.; and the Seton Home Endowment Fund, Inc. In fiscal year 2013, the Pastoral Center donated the assets of certain endowment funds to the Catholic Community Foundation (CCF) for the establishment of other endowment funds. Gifts of cash and other assets are classified as net assets with donor restrictions to be held in perpetuity if the donor's explicit stipulation is to place the funds in perpetuity in one of the Pastoral Center's endowments. The income earned on the endowments held in perpetuity is to be made available for program activities.

Cash and cash equivalents: For financial statement purposes, the Pastoral Center considers funds in money market accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of credit risk: The Pastoral Center's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Pastoral Center places its cash, cash equivalents, and investments with high credit quality financial institutions. Cash and cash equivalents may, at times, exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to a maximum of $250,000. The Pastoral Center monitors its risk under these arrangements and has not experienced any losses in such accounts.

Pledges receivable, net: Pledges receivable consist of unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value of their future cash flows. The discounts on those amounts are computed using United States Treasury Bill rates with maturities commensurate to the time period of expected collection of pledges. Discount rates used for the year ended June 30, 2021 ranged from 2% to 2.75% and for the year ended June 30, 2020 ranged from 2% to 3%. In subsequent years, amortization of the discounts is included in contributions and support in the statement of activities. The Pastoral Center determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. The allowance for doubtful accounts for pledges receivable totaled $147,316 and $204,968 at June 30, 2021 and 2020, respectively.

Accounts receivable, net: Accounts receivable are stated at amounts expected to be received for insurance programs, interest, Archdiocesan assessments and other Archdiocesan entities. Management closely monitors outstanding balances and writes off all balances past due after a certain period of time and for which collection efforts have been exhausted. The allowance for doubtful accounts for accounts receivable totaled $1,776,326 and $1,453,388 at June 30, 2021 and 2020, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

Investments: Investments consist of certificates of deposit (CDs) and mutual fund accounts. Investments are reported at their fair value based upon quoted market prices or similar investments or net asset values (NAVs) in the statements of financial position. Unrealized and realized gains and losses are included in the statements of activities.

Land, buildings and equipment and properties held for lease: Land, buildings and equipment are stated at cost, if purchased, or at fair value, if donated, less depreciation. Assets with lives greater than one year and that have a value greater than $5,000 for movable assets, renovations and building additions that add value or extend the life of the assets, as well as all land and construction costs of new buildings, are capitalized. Depreciation is calculated on the straight-line method based on the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense of capital leases is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

The following estimated useful lives are used:

Asset	Estimated Useful Life
Land improvements	15 years
Buildings and leasehold improvements	30 years
Equipment	15-25 years
Movable equipment	2-10 years

Land held for future use: Land held for future use is stated at cost, if purchased, or at fair value, if donated.

Self-insurance reserves: The Pastoral Center establishes insurance claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. The amount paid to ultimately settle these claims may be more or less than the amounts currently accrued.

Revenue recognition: In accordance with Accounting Standards Update (ASU) 2018-08, the Pastoral Center evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return of for the resources transferred; or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Pastoral Center applies guidance under *Topic 606*. If the transfer of assets is determined to be a contribution, the Pastoral Center evaluates whether the contribution is conditional based upon whether the agreement includes both: (1) one or more barriers that must be overcome before the Pastoral Center is entitled to the assets transferred and promised; and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Note 1. Summary of Significant Accounting Policies (Continued)

The Pastoral Center has the following revenue classifications that are not contract revenues and are recognized as follows:

Archdiocesan Assessments: Archdiocesan Assessments are levied upon parishes between 2% and 12% on parish revenues (graduated based on parish income level), plus an additional 15% of the assessment rate for parishes with schools or an additional 18% of the assessment rate for parishes without schools. Archdiocesan Assessment's are billed monthly to parishes and are recognized as revenue in the month billed. The Archdiocese assesses its parishes an annual quota based on Sunday collections for the Archbishop's Appeal. Amounts raised in excess of set goals are rebated to the parishes that exceed their goal.

Contributions: Contributions are recognized as revenue when an unconditional promise to give is made per ASC 958-605. Contributions are recorded as with or without donor restrictions, depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires-that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and are reported on the statements of activities as net assets released from donor restrictions. Conditional promises to give-that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Insurance reimbursement: Annual premiums for workers' compensation, property, liability and health insurance are allocated to various entities for their share of the self-insurance programs. The premium is billed to all affiliate locations in monthly installments to reimburse the Pastoral Center for premiums and claims paid on their behalf. Insurance reimbursements are recognized as revenue in the month billed. Payments for insurance premiums received in advance for future periods are recorded as deferred revenues.

Archbishop's Appeal, net of rebates – Contributions to the Archbishop's Appeal are recognized as revenue when an unconditional promise to give is made per ASC 958-605.

Grant income: A portion of the Pastoral Center's revenue is derived from cost-reimbursable federal, state and local contracts and grants, which are conditional upon certain performance requirements and or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Pastoral Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance from federal, state or local contracts and grants at June 30, 2021 and 2020.

Exchange transactions: The Pastoral Center earns (exchange) revenue from governmental funding, auxiliary activities, advertising revenue and fee from operations. Revenue is recognized based on the following steps: (i) identification of contract with customer, (ii) determination of performance obligations; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Pastoral Center satisfies each performance obligation. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. There are no complex, unique or nonrecurring contractually derived revenues. There are also no incremental costs of obtaining a contract and no significant financing components.

Note 1. Summary of Significant Accounting Policies (Continued)

Auxiliary activities – Auxiliary activities relates to the income generated by the business office, development office, archives, Catholic Television (CTSA), Hope for the Future office, and the Tribunal Office which provides services to other agencies of the Archdiocese. Revenue related to these services is recognized over time as the departments provide the associated services. A portion of the Pastoral Center's auxiliary activities also relates to special events. The Pastoral Center recognizes the exchange portion of special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes places.

Advertising revenue and sales – Advertising revenue and sales is generated from advertising purchases and subscriptions to the publication of *Today's Catholic*, the Pastoral Center's newspaper. Annual subscription of the newspaper is $16 a year. The Pastoral Center recognizes revenue when the newspaper is published.

Fees from Operations – Program fees is primarily generated through rental agreements with third parties. Rental income is recognized over time as the services are provided.

Also contributions of noncash assets from Archdiocesan related-party organizations are recorded at net book value.

Contributed services: Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services recognized are not significant.

Functional allocations of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Bank and credit card fees, contracted services, gifts, donations and assessments, and salaries and benefits of higher management are allocated based on the percentage of employees in each function. Depreciation expense and office and occupancy costs are allocated based on square footage.

Adopted accounting pronouncements: Effective July 1, 2020, the Pastoral Center adopted ASU No. 2014-19, *Revenue from Contracts with Customers (Topic 606)*. This ASU replaced existing revenue recognition guidance, including industry-specific guidance, and requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange for goods or services. In accordance with U.S. GAAP, revenue is recorded when earned rather than received. Analysis of various provisions of this standard resulted in no significant changes in the way the Pastoral Center recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Effective July 1, 2020, the Pastoral Center adopted the Financial Accounting Standards Board (FASB) ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. The adoption of this ASU did not have an impact on the Pastoral Center's financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees and lessors are required to recognize lease assets and lease liabilities in the statements of financial position for all leases with terms longer than 12 months. If the lease is 12 months or less in length, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. If this election is made, the lessee should recognize the lease expense on a straight-line basis over the lease term. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of activities. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which defers the effective date of ASU No. 2016-02 by making it effective for the Pastoral Center's year ending June 30, 2023 with early adoption permitted. The Pastoral Center is currently evaluating the effects adoption of this guidance will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring an entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets as well as enhanced disclosures. ASU No. 2020-07 should be applied on a retrospective basis and effective for the Pastoral Center for its year ending June 30, 2023. The Pastoral Center is currently evaluating the effects adoption of this guidance will have on its financial statements.

Federal income taxes: The Pastoral Center is organized as a Texas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as organizations described in IRC 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. However, the Pastoral Center is subject to tax under section 511(a) to the extent it has unrelated business taxable income. The Pastoral Center has no material unrelated business taxable income for the years ended June 30, 2021 and 2020. Uncertain tax provisions, if any, are recorded in accordance with accounting guidance for income taxes, which requires the recognition of a liability for tax provisions taken that do not need the more likely than not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2021 and 2020.

Contingencies: Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Pastoral Center, but which will only be resolved when one or more future events occur or fail to occur. The Pastoral Center's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Pastoral Center or unasserted claims that may result in such proceedings, the Pastoral Center's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Pastoral Center's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Note 1. Summary of Significant Accounting Policies (Continued)

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Use of estimates: The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising and promotional costs: The Pastoral Center expenses advertising and promotional costs when they are incurred. Advertising and promotional costs for the years ended June 30, 2021 and 2020, totaled $94,408 and $60,689, respectively.

Subsequent events: The Pastoral Center has evaluated subsequent events through July 11, 2022, the date the financial statements were available to be issued.

Risks and uncertainties: The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States. The continued spread of COVID-19 may adversely impact the local, regional, and national economies. The extent to which the coronavirus impacts the Pastoral Center's results will depend on future development, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Pastoral Center, but such an impact could have material adverse effects on the financial condition of the Pastoral Center.

Reclassifications: Certain prior-year amounts have been reclassified to conform to the current-year presentation. The reclassifications had no impact on the previously reported net assets or changes in net assets.

Note 2. Pledges Receivable

Pledges receivable, net consist of the following:

	June 30	
	2021	2020
OSM, Inc.	$ 248,697	$ 395,785
Pastoral Center, primarily Archbishop's Appeal	550,016	692,691
Total pledges receivable, net	$ 798,713	$ 1,088,476

OSM, Inc.: The purpose of OSM, Inc.'s pledge activities is to preserve San Antonio's missions by securing financial support for the restoration and preservation of those missions, including support of operations. At June 30, 2021 and 2020, pledges receivable net of allowance are included as designated net assets without donor restrictions.

Note 2. Pledges Receivable (Continued)

Total amount of pledges receivable, net is summarized as follows:

	June 30 2021	June 30 2020
Less than one year	$ 828,184	$ 960,953
One to five years	119,287	338,151
	947,471	1,299,104
Less provision for allowance for pledges receivable	147,316	204,967
Less discount for present value	1,442	5,661
Pledges receivable, net	$ 798,713	$ 1,088,476

Note 3. Accounts Receivable

Accounts receivable consist of the following:

	June 30 2021	June 30 2020
Insurance programs	$ 1,067,095	$ 915,014
Archdiocesan assessments	924,714	900,626
Other Archdiocesan entities (related parties)	2,193,455	141,083
Interest receivable	3,013	7,571
Total accounts receivable	4,188,277	1,964,294
Less allowance for uncollectible accounts	1,776,326	1,453,388
Total accounts receivable, net	$ 2,411,951	$ 510,906

Note 4. Investments

The Pastoral Center's investments are invested at various financial institutions with the majority of the investments managed by the CCF. These investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near future would materially affect investment balances and the amounts reported in the financial statements.

Investments consist of the following:

	June 30 2021	June 30 2020
CDs—negotiable	$ 5,778,102	$ 6,288,495
Mutual funds	7,241,126	5,428,932
CUIT—equity securities	2,913,224	2,018,101
	$ 15,932,452	$ 13,735,528

Note 5. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the topic establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are observable, other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs are unobservable and are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available in an active market, then fair value is estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flow. Level 2 securities would include United States agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset-backed and other securities. In certain cases where there is limited activity or transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

Note 5. Fair Value Measurements (Continued)

The following tables summarizes the assets measured at fair value on a recurring basis as of June 30, 2021 and 2020, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments:				
CDs—negotiable	$ -	$ 5,778,102	$ -	$ 5,778,102
Mutual funds	7,241,126	-	-	7,241,126
	$ 7,241,126	$ 5,778,102	$ -	13,019,228
Investments measured at NAV per share:				
CUIT—equity securities				2,913,224
Total investments				$ 15,932,452

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
CDs—negotiable	$ -	$ 6,288,495	$ -	$ 6,288,495
Mutual funds	5,428,932	-	-	5,428,932
	$ 5,428,932	$ 6,288,495	$ -	11,717,427
Investments measured at NAV per share:				
CUIT—equity securities				2,018,101
Total investments				$ 13,735,528

Note 6. Cash Value Life Annuities

Cash value life annuities consist of three flexible premium deferred annuity certificates which provide for a death benefit in the event of the annuitant's death. The cash value of the life annuities totaled $1,283,804 and $1,259,452 at June 30, 2021 and 2020, respectively. The cash value life annuities have a minimum guaranteed interest rate of 1.5% for the life of the certificates.

Note 7. Notes Receivable From Related Entities

The Pastoral Center manages and is responsible for long-term notes made to entities related to the Archdiocese. The plant and operations fund has net notes receivable due from parishes and other entities totaling $543,280 and $861,717 at June 30, 2021 and 2020, respectively. The notes have various repayment terms and bear interest rates ranging up to 7%.

Note 7. Notes Receivable From Related Entities (Continued)

Notes receivable consist of the following:

Borrower	Interest Rate	Maturity Date	Repayment Terms	June 30 2021	June 30 2020
MCSP, Inc.	6.25%	6/30/2021	A	$ 2,613,288	$ 2,613,288
CCF	3.85%	12/31/2022	B	-	122,893
St. Leonard	2.50%	6/1/2026	C	128,143	151,868
St. Jude	3.00%	10/31/2024	D	147,183	215,333
St. John Paul II High School	5.50%	10/1/2024	E	80,119	101,429
St. Ann	5.50%	10/1/2024	F	-	26,525
Sacred Heart	2.00%	2/1/2030	G	155,864	200,000
Other notes receivable	0.00%-7.00%	Various	Various	97,412	122,838
				3,222,009	3,554,174
Less allowance for uncollectible accounts				2,678,729	2,692,457
				$ 543,280	$ 861,717

A. MCSP, Inc. repayment terms include a lump-sum payment for the principal and any accrued and unpaid interest at date of maturity. There were no payments received during the years ended June 30, 2021 and 2020. The allowance for uncollectible accounts for this note receivable totaled $2,613,288 during the years ended June 30, 2021 and 2020, respectively.

B. CCF repayment terms include the payment of accrued and unpaid interest at each anniversary date and a lump-sum payment for the principal and accrued and unpaid interest at date of maturity. Payments received during fiscal years 2021 and 2020 totaled $122,893 and $546,680, respectively.

C. St. Leonard repayment terms include monthly payments of principal and accrued interest until date of maturity. Payments received during fiscal years 2021 and 2020 totaled $21,725 and $23,132, respectively.

D. St. Jude repayment terms include the first payment of principal and accrued interest due on December 1, 2020, followed by monthly payments of principal and accrued interest until date of maturity. Payments received during fiscal year 2021 totaled $68,150.

E. St. John Paul II High School terms include monthly payments of principal and accrued interest until date of maturity. Payments received during fiscal years 2021 and 2020 totaled $21,310 and $13,571, respectively.

F. St. Ann terms include monthly payments of principal and accrued interest until date of maturity. Payments received during fiscal years 2021 and 2020 totaled $26,525 and $23,475, respectively.

G. Sacred Heart repayment terms include the first payment of principal and accrued interest due on February 1, 2021, followed by monthly payments of principal and accrued interest until date of maturity. Payments received during fiscal year 2021 totaled $44,136.

Note 8. Buildings and Equipment

Buildings and equipment consists of the following:

	June 30	
	2021	2020
Buildings and land improvements	$ 12,316,832	$ 11,595,745
Equipment	1,050,664	1,035,664
Construction in progress	1,831,610	1,379,512
	15,199,106	14,010,921
Less accumulated depreciation	8,674,674	8,192,177
	$ 6,524,432	$ 5,818,744

Depreciation expense for buildings and equipment totaled $603,181 and $527,726 at June 30, 2021 and 2020, respectively.

The Pastoral Center had construction commitments totaling $5,055,456 at June 30, 2021 for the St. John Seminary Pilgrimage Center. On June 25, 2021, the Pastoral Center signed a contract for construction that started on July 6, 2021 for the Pastoral Center exterior renovation totaling $1,599,804.

Note 9. Properties Held for Lease

Properties held for lease at consist of land and buildings as follows:

	June 30	
	2021	2020
Real estate ground lease (A)	$ 300,031	$ 300,031
Catholic Charities (B)	283,539	283,539
Boerne Stage Road (C)	1,792,483	1,792,483
St. Stephen's Property (D)	765,667	765,667
	3,141,720	3,141,720
Less accumulated depreciation	940,547	899,958
	$ 2,201,173	$ 2,241,762

Depreciation expense for buildings and equipment for properties held for lease totaled $40,589 and $40,588 at June 30, 2021 and 2020, respectively.

Note 9. Properties Held for Lease (Continued)

A. ***St John's Master Ground Lease:*** In fiscal year 2018, the 2015 real estate ground lease was terminated and replaced with the St. John's Master Ground Lease (the Lease) effective on December 1, 2017. The Pastoral Center (the Landlord) executed this Lease, which consists of 11.139 acres with a Texas public facility corporation (the Tenant). This Lease has a guaranty executed by a Texas limited liability partnership and an individual (collectively, the Guarantor). The acres also include certain existing buildings, infrastructure and attached fixtures (collectively known as the Premises). This Lease is a master lease of the Premises for the Tenant's development, rehabilitation and operation as a rental project comprised of 228 rental units (the Project), including ancillary commercial and public space for related mixed-use purposes (collectively, the Improvements). The term of the Lease is for a period of 75 years commencing on December 1, 2017, with the option to extend for an additional 10 years. The Lease is also a net lease to the Landlord, which requires the Tenant to pay all costs related to the use, operation, maintenance and repair of the Premises. Also, at the end of the term of the Lease, title to all Improvements constructed by the Tenant shall be vested to the Landlord.

During the development phase, the preliminary base rent was $58,500 per year. The virtual opening of the project occurred on June 30, 2020, and the base rent was adjusted to $117,000 per year, effective July 1, 2020, with subsequent CPI percentage increases.

The net carrying value of the property held for lease totaled $223,016 and $233,017, respectively, net of accumulated depreciation of $77,015 and $67,014 at June 30, 2021 and 2020, respectively. Rental income and expenses for the lease are as follows:

	Years Ended June 30	
	2021	2020
Rental income	$ 117,000	$ 58,500
Expenses:		
Other	2,091	-
Depreciation	10,001	10,001
Net rental income	$ 104,908	$ 48,499

B. ***Catholic Charities:*** In September 2016, the Pastoral Center purchased a property consisting of buildings and land for $283,539. Subsequently, the Pastoral Center leased the property to the Catholic Charities. The lease term is for a one-year period commencing on July 1, 2017, renewable on a year-to-year basis until Catholic Charities has no ministry use for the property. Base rent is $3,000 per month.

The net carrying value of this property held for lease totaled $249,268 and $256,359, respectively, net of accumulated depreciation of $34,271 and $27,180 at June 30, 2021 and 2020, respectively. Rental income and expenses for the Catholic Charities are as follows:

	Years Ended June 30	
	2021	2020
Rental income	$ 36,000	$ 36,000
Expenses:		
Depreciation	7,091	7,091
Net rental income	$ 28,909	$ 28,909

Note 9. Properties Held for Lease (Continued)

C. ***Boerne Stage Road:*** On September 25, 2015, the Pastoral Center purchased 4.41 acres of land and improvements for $1,192,482 for a future parish site. Concurrently with the purchase, the seller also gifted 13.06 acres of undeveloped land. As a condition of the purchase of land and improvements, the Pastoral Center entered into a lease agreement with the seller for the entire 17.47 acres and improvements. The term of the lease is for 10 years effective from September 25, 2015, and expires September 24, 2025. The rent is $1.00 per year. The Pastoral Center, as landlord, will reimburse the tenant for 50% of repairs and maintenance costs of the water wells and all other maintenance is at the tenant's expense. The tenant will also reimburse the landlord for 50% of property taxes. The Pastoral Center has recorded the gifted 13.06 acres of land at its appraised value of $600,000 and the lease agreement as deferred rent income for the same amount. The deferred rent will be amortized over the life of the lease to rent income.

The net carrying value of this property held for lease totaled $1,669,254 and $1,690,379, respectively, net of accumulated depreciation $123,229 and $102,104 at June 30, 2021 and 2020.

Rental income and expenses for the Boerne Stage Road are as follows:

	Years Ended June 30	
	2021	2020
Rental income	$ 60,000	$ 60,000
Expenses:		
Other	6,970	7,091
Depreciation	21,125	21,125
Net rental income	$ 31,905	$ 31,784

D. ***St. Stephen's Property:*** In September 2017, the Pastoral Center received land and a building as a donation from St. Stephen's Church at a net book value of $67,740 as a result of the closure of the parish. Subsequently, the Pastoral Center leased the property to Catholic Charities. The lease term was amended on July 1, 2019, and the base rent was reduced to $0. The lease terminates on June 30, 2024, and is to be used for office and storage space.

The net carrying value of this property held for lease totaled $59,636 and $62,007, respectively, net of accumulated depreciation of $706,032 and $703,660 at June 30, 2021 and 2020, respectively. Rental income and expenses for the St. Stephen's Property is as follows:

	Years Ended June 30	
	2021	2020
Rental income	$ -	$ -
Expenses:		
Other	-	-
Depreciation	(2,372)	2,371
Net rental income (loss)	$ 2,372	$ (2,371)

Note 10. Purchase Commitment From Bank—Tax Credits

The Pastoral Center has a commitment letter dated August 8, 2018, from a bank to purchase Texas Historic Rehabilitation Tax Credits issued by the Texas Comptroller of Public Accountants of approximately $1,500,000. The tax credits are related to the renovation of the four missions, which are certified historic structures. The bank will pay $0.92 per $1.00 of tax credits, and the commitment letter expires on December 31, 2023. For the years ended June 30, 2021 and 2020, the Pastoral Center earned $786,380 and $531, respectively, for the sale of tax credits, which is included in other revenues in the accompanying statements of activities.

Note 11. Note Payable to Bank

On April 21, 2020, the Pastoral Center signed a note payable agreement with Frost Bank in the amount of $1,153,100, pursuant to the Paycheck Protection Program (PPP) under Division A, Title 1 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted on March 27, 2020. Subsequently on June 5, 2020, this agreement was amended per the Notice of Changes in Terms to Paycheck Protection Program Promissory note with a maturity date of April 21, 2022, and bears interest at a rate of 1% per annum, with payments commencing in November 21, 2020. Funds from the loan may be used for payroll, employee benefits, mortgage payments, rent, utilities and interest on other long-term debt obligations. The Pastoral Center intends to use the entire loan amount for qualifying expenses as described in the CARES Act.

On July 21, 2021, the Pastoral Center submitted its application to the SBA for forgiveness of the PPP Loan and on August 2, 2021, Frost notified the Pastoral Center that the entire $1,153,100 was forgiven by the SBA. The Pastoral Center believes it has met all the requirements for forgiveness, as 100% of the proceeds were utilized to cover eligible payroll related expenses incurred during the "covered period" (as defined in the PPPFA). The Pastoral Center recognized a gain on extinguishment of debt of $1,153,100 in August 2021, which will be reflected in the June 30, 2022 financial statements.

Although the Pastoral Center is confident that is has met the conditions necessary for PPP Loan forgiveness, the loan is subject to audit by the SBA through August 2, 2027. The Pastoral Center has evaluated this uncertainty in accordance with Topic 450, Contingencies, and determined the likelihood that the SBA would require the Pastoral Center to repay a portion and/or all of the PPP Loan upon examination until the period for audit expires.

Note 12. Deposits Payable (Related Entities)

The Pastoral Center maintains savings accounts for the Archdiocesan entities and pays interest semiannually. The balance of such deposits due to parishes and other Archdiocesan entities totaled $218,024 and $329,886 at June 30, 2021 and 2020, respectively. Deposits bear interest at rates ranging from 0.0% to 1.2% for parishes and entities based on the time commitment.

Note 13. Insurance Programs

Property, liability and workers' compensation insurance: The Archdiocese has established a self-insured fund to pay for all property, liability and workers' compensation claims not insured by outside commercial insurers. All property claims are at replacement cost coverage. Liability claims above the self-insured retention of $100,000 (i.e., deductible) are insured by outside commercial insurers. Property claims have a variable deductible ranging between $100,000 and $500,000 depending on the nature of the claim. The deductible for wind and hail claims will increase to $1,500,000 in 2021. Each property claim has a coverage limit of $250,000,000 from the outside insurer and each liability claim has a coverage limit of $10,000,000 from the outside insurer. Claims regarding wrongful acts occurring after July 1, 1998, are insured by outside commercial insurers above the self-insured retention of $250,000 (i.e., deductible), with a $4,000,000 limit for each wrongful act claim. Claims regarding wrongful acts occurring before July 1, 1998, are not covered by outside insurers. Effective July 1, 2017, the Archdiocese switched workers' compensation to a guaranteed cost program and is 100% insured by an outside commercial Insurer. Workers' compensation claims incurred prior to July 1, 2017, are included in the self-insurance reserves for claims not covered by other outside insurers.

Health insurance benefits: The Pastoral Center became self-insured effective September 1, 2012, for health insurance claims not covered by outside insurers. The Pastoral Center provides health care benefits to active lay and priest employees through the self-insured plan that includes medical and prescription drug benefits. The payment of claims associated with these benefits is handled by a third-party administrator. The Pastoral Center is self-insured for the first $150,000 of medical claims, and also fully insured for claims in excess of $150,000 up to a maximum annual aggregate stop-loss payment amount of $1,000,000.

The Pastoral Center believes that the self-insurance reserves recorded are adequate to cover losses for which the Pastoral Center may be liable. Whether additional claims or revisions to estimates required for settlement on existing claims could have a material effect on the financial statements cannot be determined. Self-insurance reserve totaling $7,216,326 and $5,388,937 at June 30, 2021 and 2020, respectively, has been made for the settlement of all incurred claims, which includes claims incurred, but not reported.

The self-insurance reserve is an estimate of the cost of claims incurred, but not settled. Reserve estimates for reported claims are primarily determined by the evaluation of individual reported claims by a third-party underwriter and the Archdiocese's Risk Management Office. Provisions for estimates for claims incurred, but not reported are based on prior experience. The methods for making such estimates and for establishing the resulting liabilities are periodically reviewed and updated. Any adjustments to these estimates are reflected in the statements of activities when they become known.

Note 14. Pension Plans

The Archdiocese sponsors a defined contribution, noncontributory, pension plan for all permanent full-time lay employees. The plan provides for a seven-year graded vesting with 100% vesting after seven years of continuous service. After July 1, 2014, only full-time employees were eligible to participate in the plan beginning on the date that they became full-time. Part-time employees, who previously met the old eligibility requirements of six months of service and earnings equivalent to 1,000 hours times the minimum wage at January 1 of the given year, were grandfathered into the amended plan. Employer contributions are determined as 5% of each covered employee's salary. Participation is mandatory and employees cannot contribute to the plan. Total contributions for the Pastoral Center totaled approximately $354,000 and $427,000 at June 30, 2021 and 2020, respectively.

Note 14. Pension Plans (Continued)

The predecessor of the above defined contribution pension plan was a defined benefit plan (Pre-1991 Plan) for its lay employees. This Pre-1991 Plan has a remaining actuarial liability totaling approximately $79,000 and $89,000 at June 30, 2021 and 2020, respectively, and is fully funded.

The Archdiocese also sponsors a voluntary 403(b) plan through TIAA-CREF. Eligible employees may contribute up to the annual limit with no matching from the covered participant locations.

The Pastoral Center participates in a separate and independent Archdiocese of San Antonio Priest Defined Benefit Pension Plan (the Priest Pension Plan). The purpose of the Priest Pension Plan is to provide a retirement program for the exclusive benefit of eligible priests and to provide support for priests with disabilities. The participating locations are assessed annually for the support of the Priest Pension Plan. The plan administrator of the Priest Pension Plan is the Pension Board, which are elected by the participants. The Pastoral Center has a few clergy who participate in the plan at June 30, 2021 and 2020. The Pastoral Center made contributions of $31,088 and $26,912 as of June 30, 2021 and 2020, respectively. The Pastoral Center nor the Archdiocese has no additional obligation to fund nor sustain the Priest Pension Plan.

Note 15. Postretirement Benefits Plan

The Archdiocese has a commitment to provide for postretirement health care and support benefits for eligible infirm and retired Archdiocesan priests. U.S. GAAP requires the accrual, during the years that the participant renders the necessary service, of the expected cost of providing those benefits to a participant, the employee's beneficiaries and covered dependents.

The following table presents the plan's status reconciled with amounts recognized in the Pastoral Center's statements of financial position:

	June 30	
	2021	2020
Accumulated postretirement benefits obligation:		
Active participants fully eligible for benefits	$ 2,093,722	$ 2,098,072
Active participants not fully eligible for benefits	5,934,493	5,697,497
Retired participants	3,404,968	3,402,483
Postretirement benefits obligation	$ 11,433,183	$ 11,198,052
Postretirement-related change other than net periodic pension costs—unrecognized prior service gain	$ (18,910)	$ (321,655)
Net period postretirement benefits cost for components:		
Service cost for period, net of amortization	$ 630,573	$ 651,993
Interest cost on accumulated postretirement benefits	293,587	356,336
Unrecognized net (gain) loss, immediate recognition	(435,128)	161,159
Net period postretirement benefits cost	$ 489,032	$ 1,169,488

Note 15. Postretirement Benefits Plan (Continued)

A rollforward of the accrued postretirement benefit obligation is summarized as follows:

	June 30	
	2021	2020
Balance at beginning of year	$ 11,198,052	$ 10,261,493
Net periodic postretirement benefits cost	489,032	1,169,488
Claims paid	(253,901)	(232,929)
Balance at end of year	$ 11,433,183	$ 11,198,052

For measurement purposes, a 7.50% annual rate increase in the per capita cost of covered benefits (e.g., health care cost trend rate) was assumed for 2021; the rate is assumed to decrease gradually to 4.50% by the year 2042 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefits obligation (APBO) by $2,269,742 and $2,225,067 as of June 30, 2021 and 2020, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefits cost by $265,584 for the years ended June 30, 2021 and 2020. A reduction in assumed health care cost trend rate by one percentage point in each year would decrease the APBO by $1,760,017 and $1,726,728 as of June 30, 2021 and 2020, respectively, and the aggregate of the service and interest cost components by $194,963 for the years ended June 30, 2021 and 2020. The weighted-average discount rate used in determining the APBO was 2.79% and 2.65% at June 30, 2021 and 2020.

Note 16. Due to Others

Amounts due to others are monies held for the benefit of other agencies and affiliates. Funds are noninterest-bearing and without repayment terms. Due to others is as follows:

	June 30	
	2021	2020
Casa de Padres	$ 1,284,461	$ 1,260,108
Custodian and operating agency accounts	19,613	18,599
	$ 1,304,074	$ 1,278,707

Note 17. Net Assets

Designated net assets without donor restriction are as follows:

	June 30	
	2021	2020
Plant and operations fund:		
Self-insurance programs	$ 3,256,446	$ 4,422,650
Archbishop's Appeal	4,539,115	4,563,088
Archdiocese of San Antonio	4,734	4,734
Hope for the Future	1,981,663	1,647,075
OSM, Inc.	2,334,340	1,341,535
Catholic Television	37,127	(39,035)
Catholic Schools	234,041	27,961
Mother Cabrini Center	305,854	378,478
Plant, net of payables	8,719,120	7,338,597
	$ 21,412,440	$ 19,685,083
Deposit and loan fund	$ 571,885	$ 563,922

Net assets restricted by time or purpose are available for the following purposes:

	June 30	
	2021	2020
Paul P. Baltos, Jr. Scholarship	$ 130,049	$ 32,803
Other specific purpose grants	251,817	170,491
	$ 381,866	$ 203,294

Net assets released from donor restrictions by incurring expenses satisfying restricted purposes or time restrictions specified by donors is as follows:

	Years Ended June 30	
	2021	2020
Specific Purpose Grants	$ 330,197	$ 277,064
Paul P. Baltos, Jr. Scholarship Fund	4,590	5,556
Catholic Television of San Antonio	15,008	14,992
	$ 349,795	$ 297,612

Net assets to be held in perpetuity consist of the following:

	Years Ended June 30	
	2021	2020
Paul P. Baltos, Jr. Scholarship Fund—Corpus only	$ 289,448	$ 289,448
	$ 289,448	$ 289,448

Note 18. Endowment Funds

Interpretation of relevant law for donor-restricted endowment funds: In July 2006, the Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as a modernized version of the Uniform Management of Institutional Funds Act of 1972, the model act governing the investment and management of donor-restricted endowment funds by not-for-profit organizations. Among its changes, UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund, including Subsection 4(a), which states, "unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution."

Management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result, the Pastoral Center classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets held in perpetuity is classified as net assets restricted by time or purpose until those amounts are appropriated for expenditure by the Pastoral Center in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Pastoral Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Pastoral Center
- The investment policies of the Pastoral Center

The endowment net assets composition by type at June 30, 2021 and 2020, is as follows:

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 419,497	$ 419,497
	$ -	$ 419,497	$ 419,497

Note 18. Endowment Funds (Continued)

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 322,250	$ 322,250
	$ -	$ 322,250	$ 322,250

Description of amount classified as net assets with donor restrictions (endowment only) are as follows:

	June 30	
	2021	2020
Paul P. Baltos. Jr. Scholarship Fund	$ 419,497	$ 322,250

The Pastoral Center had the following changes in endowment net assets for the years ended June 30, 2021 and 2020:

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ -	$ 322,250	$ 322,250
Contributions			
Investment return:			
Investment income, gains and losses, net	-	101,837	101,837
Amount appropriated for expenditures	-	(4,590)	(4,590)
Endowment net assets at end of year	$ -	$ 419,497	$ 419,497

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 203,540	$ 318,625	$ 522,165
Investment return:			
Investment income, gains and losses, net	19,106	9,181	28,287
Amount appropriated for expenditures	(222,646)	(5,556)	(228,202)
Endowment net assets at end of year	$ -	$ 322,250	$ 322,250

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or SPMIFA requires the Pastoral Center to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 and 2020.

Note 18. Endowment Funds (Continued)

Return objectives and risk parameters: The Pastoral Center endowment funds are managed by the CCF, and the Pastoral Center has adopted the CCF's investment policies for the endowment assets, which attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Pastoral Center must hold in perpetuity or for a donor-specified period(s), as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results which, when compared to the current market place, would be better than average performance for fund managers with similar styles primarily based upon three-year rolling returns and net of (after) investment fees and expenses. The Pastoral Center expects its endowment funds, over time, to provide an average rate of return comparable to the benchmarks outlined in the investment policy. Actual returns in any given year may vary from these benchmarks.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, CCF diversifies its portfolio among a number of investments managers, within the feasibility of cost efficiency, to limit risk and maximize investment opportunities. The goal of CCF is to preserve and maintain the real purchasing power of the principal of portfolios by realizing a real total annual return of 500 basis points over inflationary expectations for equity funds and 100-200 basis points over inflation expectations for fixed income funds, dependent upon quality exposure.

Spending policy: The Pastoral Center's current practice is to approve the annual budget for appropriation of expenditures. A formal spending or disbursement policy has not been adopted.

Note 19. Leases

The following is a summary of leased property under capital leases included in property and equipment in the accompanying financial statements:

	Years Ended June 30	
	2021	2020
Office equipment	$ 357,005	$ 357,005
Less accumulated depreciation	134,551	69,028
	$ 222,454	$ 287,977

Amortization on leased property under capital leases is included in depreciation and amortization expense within general, administrative and auxiliary services in the accompanying statements of activities.

The Pastoral Center has commitments under noncancelable operating lease agreements. As of June 30, 2021 and 2020, the Pastoral Center had outstanding commitments, which consist of leases for copy machines with the agreements expiring on January 1, 2023. Rental expense totaled $156,958 and $147,531 for the years ended June 30, 2021 and 2020, respectively.

Note 19. Leases (Continued)

Future minimum lease payments under the noncancelable operating leases and future minimum lease payments under capital lease agreements as of June 30, 2021, are as follows:

	Capital Leases	Operating Leases
Years ending June 30:		
2022	$ 80,679	$ 4,612
2023	79,624	2,166
2024	78,866	-
2025	6,572	-
	245,741	$ 6,778
Less amount of net minimum lease payments attributable to interest (4.75%)	23,287	
Present value of net minimum lease payments	$ 222,454	

Note 20. Related-Party Transactions

For the years ended June 30, 2021 and 2020, the Pastoral Center recorded Archdiocesan assessments and the corresponding accounts receivable resulting from these transactions.

All Archdiocesan agencies participate under the Archdiocesan insurance plans. For the years ended June 30, 2021 and 2020, the Pastoral Center recorded insurance premiums and insurance program expenses in the statements of activities. Receivables from these transactions are included in accounts receivable at year-end.

The Archdiocese assesses its parishes an annual quota based on Sunday collections for the Archbishop's Appeal. Amounts raised in excess of set goals are rebated to the parishes that exceed their goal.

For the years ended June 30, 2021 and 2020, the Pastoral Center received contributions totaling $5,525,813 and $2,241,048 from related parties.

Note 21. Contingencies

The Archdiocese is involved in various claims and legal actions which arise in the general course of the operations of the Archdiocese and its parishes, schools and other activities. The Archdiocese believes the majority of these claims are subject to coverage under the Archdiocese's insurance programs. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Pastoral Center's financial position, changes in net assets or liquidity.

The Archbishop of the Archdiocese is the guarantor in a line of credit between a financial institution and various parishes. Funding of line of credit advances is made directly by the financial institution to the parish and payments are made directly by the respective parish to the financial institution in accordance with the terms of each respective advance. The aggregate principal amount of the loans shall not exceed $25,000,000. The loans totaled $14,911,834 and $18,886,782 at June 30, 2021 and 2020, respectively. The line of credit outstanding balance is not reflected in the financial statements of the Pastoral Center.

Note 22. Classification of Expenses

The following reflects the classification of the Pastoral Center's expenses, by both the underlying nature of the expense and function, as of June 30, 2021 and 2020. An individual expense is allocated to the underlying activity through which it was incurred. The statements of activities include certain expenses that must be allocated on a reasonable basis, which have been consistently applied: certain costs including bank and credit card fees, payroll salaries and benefits have been allocated among the programs and supporting services benefited. Depreciation, office and occupancy costs have been allocated based on square footage.

	Year Ended June 30, 2021				
	Program Services		Supporting Services		
	Education and Formation	Ministries	General, Administrative, and Auxiliary Services	Insurance Programs	Total 2021
Salaries and benefits	$ 1,720,996	$ 3,944,242	$ 1,681,611	$ 1,524,223	$ 8,871,072
Contracted services, primarily insurance premiums	220,225	920,090	784,854	5,728,419	7,653,588
Gifts, donations and assessments	1,699,909	3,809,302	3,114,009	-	8,623,220
Office and occupancy costs	106,578	302,420	1,025,973	30,436	1,465,407
Auxiliary expenses	182,365	41,902	82,459	407,624	714,350
Professional development	15,451	584,320	12,050	-	611,821
Depreciation expense	40,388	162,470	429,378	11,533	643,769
Bank and credit card fees	12,376	59,683	98	9,614	81,771
Provision for allowance for doubtful accounts	113,920	59,663	202,406	116,973	492,962
Property tax	-	-	53,035	-	53,035
Loss on sale of assets	-	-	143,090	-	143,090
Insurance claims	-	-	-	16,491,571	16,491,571
Total	$ 4,112,208	$ 9,884,092	$ 7,528,963	$ 24,320,393	$ 45,845,656

	Year Ended June 30, 2020				
	Program Services		Supporting Services		
	Education and Formation	Ministries	General, Administrative, and Auxiliary Services	Insurance Programs	Total 2020
Salaries and benefits	$ 2,161,710	$ 4,518,124	$ 2,430,059	$ 2,088,692	$ 11,198,585
Contracted services, primarily insurance premiums	275,737	674,101	912,180	5,198,041	7,060,059
Gifts, donations and assessments	2,790,397	3,331,380	9,835,984	-	15,957,761
Office and occupancy costs	156,590	469,770	1,565,900	44,740	2,237,000
Auxiliary expenses	543,438	193,843	68,109	457,249	1,262,639
Professional development	41,917	650,871	22,720	-	715,508
Depreciation expense	34,780	148,200	375,400	9,933	568,313
Bank and credit card fees	9,362	52,847	1,966	12,573	76,748
Provision for allowance for doubtful accounts	208,658	40,277	655,523	75,166	979,624
Property tax	-	-	297,436	-	297,436
Insurance claims	-	-	-	11,927,753	11,927,753
Total	$ 6,222,589	$ 10,079,413	$ 16,165,277	$ 19,814,147	$ 52,281,426

Note 23. Financial Assets Available and Liquidity

The table below represents the Pastoral Center's financial assets available for general expenditures from operations that are without donor restrictions or other restrictions limiting the uses within one year of June 30, 2021 and 2020.

	Years Ended June 30	
	2021	2020
Financial assets at June 30:	$ 48,405,620	$ 39,317,531
Less those unavailable for general expenditures within one fiscal year due to:		
Net receivables not due within one year	(543,280)	(83,652)
Contractual or donor restrictions:		
Restricted by time or purpose	(381,866)	(203,294)
Restricted for scholarships	(289,448)	(289,448)
Board designations, financial assets:		
Archbishop's Appeal	(5,216,395)	(4,733,877)
Old Spanish Missions, Inc.	(2,360,929)	(1,469,500)
Custodian accounts held for others	(2,132,803)	(2,322,125)
Amounts set aside for reserve for Insurance programs	(24,635,375)	(21,681,972)
Financial assets available to meet cash needs for general expenditures within one year	$ 12,845,524	$ 8,533,663

The Pastoral Center is substantially supported by Archdiocesan assessments and contributions. The Pastoral Center must maintain sufficient resources to meet responsibilities to its Archdiocesan parishes and agencies, including its donors. As part of the Pastoral Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Pastoral Center invests cash in excess of annual budget requirements in CDs with laddered maturities ranging between three and seven years. Occasionally, the board designates a portion of any operating surplus to its plant and operations fund, and deposit and loan fund. In the event of an unanticipated liquidity need, the Pastoral Center also could draw upon its available line of credit. During fiscal years 2021 and 2020, the Pastoral Center did not draw nor have an outstanding balance on the line of credit.